

SECTION 1.3 ASSURANCES

(WAC 463-42-075)

1.3.1 STATEMENT OF FINANCIAL RESPONSIBILITY

Olympic Pipe Line Company (OPL) was established in 1961. From 1992 through 1996, OPL's revenue and cash flow have averaged \$32.8 million and \$8.25 million, respectively. OPL has "all risks" property coverage of \$26 million per occurrence and Excess Liability coverage of \$49 million per occurrence. Figure 1.3-1 on the following page is a sample "Certificate of Insurance" issued to the Olympic Pipe Line Company.

FIGURE 1.3-1 - SAMPLE CERTIFICATION OF INSURANCE

If a catastrophic event were to occur, OPL would depend first on available cash flow and then on its insurance coverage. There is also a corporate guarantee that debt service expenses exceeding available OPL cash flow would be the responsibility of Texaco and ARCO, the signatories to the Throughput and Deficiency Agreement of February 15, 1994.

1.3.2 INSURANCE

OPL will maintain several forms of insurance during the construction and operation of the Cross Cascade Pipeline. Insurance will be maintained as required by law, customary business practice, third-party participants, and lenders. The following coverages will be included:

General Liability Insurance

The construction contractor will be required to carry general liability insurance in specified amounts to respond to liability and damage claims arising during the construction and startup phase.

OPL will maintain in full force and effect, comprehensive general liability insurance against claims for bodily injury, death, or property damage arising out of the use and occupancy of the premises.

Property Insurance

At all times during the term of construction and operation of the pipeline, OPL will maintain insurance on the pipeline, pump stations, and loading facilities, and all other improvements that are to be erected on premises owned or leased by OPL against loss or damage by fire or other hazards, casualties, contingencies, and risk embraced within the term "extended coverage" to the full insurable value of such improvements. OPL will be required by its partners and financial institutions to maintain insurance coverage for the constructed facility to ensure continued operation of the project.

Workers' Compensation Insurance

OPL will fully comply with the Workers' Compensation and Unemployment laws as required with respect to any OPL employees performing work on the pipeline and its associated facilities. OPL will require similar insurance to be carried by any contractors or subcontractors performing any work or services at any time on the pipeline and associated facilities.

Evidence of Financial Responsibility

OPL agrees to comply with the applicable portions of the final requirements for the evidence of Financial Liability as adopted in Chapter 88.44 RCW.

OPL will be responsible, as required by law, for acts of environmental impairment related to the ownership and operation of the Cross Cascade Pipeline. Such losses may, in some circumstances, be covered by general liability insurance which OPL and the construction contractor will carry.

No set-aside from operating funds is anticipated for pipeline abandonment. However, pipeline abandonment would be performed in compliance with Department of Transportation Title 49, CFR Part 195.402(c)(10) procedures and final site restoration plans, as approved by EFSEC. See Section 7.3 Initial Site Restoration Plan.

TABLE OF CONTENTS

	Page
SECTION 1.3 ASSURANCES	1.3-1
1.3.1 STATEMENT OF FINANCIAL RESPONSIBILITY	1.3-1
1.3.2 INSURANCE	1.3-1
 FIGURE 1.3-1 - SAMPLE CERTIFICATION OF INSURANCE	 1.3-2